

Message Text

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PAGE 01 CAIRO 05799 061340Z
ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 EB-08 OES-06 AID-05 /036 W
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FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 3621

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E.O. 11652: N/A
TAGS: EINV, EG
SUBJ: EVALUATION OF TECHNOLOGY TRANSFERS AND CONTRIBUTIONS
IN KIND

REF: STATE A-5760

1. SUMMARY: IN GENERAL, EGYPTIAN AUTHORITIES DO NOT APPEAR TO PROCEED ON VERY SCIENTIFIC OR CONSISTANT GROUNDS IN DETERMINING THE VALUE EITHER OF TECHNOLOGY TRANSFERS/TECHNICAL ASSISTANCE OR OF CONTRIBUTIONS IN KIND. CURRANT INVESTMENT LAW GIVES BOARD OF DIRECTORS OF GOE INVESTMENT AUTHORITY RESPONSIBILITY FOR ESTABLISHING VALUE OF NON-CASH CONTRIBUTIONS TO CAPITAL, BUT, DESPITE SOME ONE OF EXPERTS, WE WOULD BE CAUTIOUS ABOUT ACCEPTING UNCRITICALLY ANY PARTICULAR VALUE ASSIGNED. END SUMMARY.

2. EGYPT , LIKE MOST LDC'S, HAS STRONG INTEREST IN BENEFITTING FROM ADVANCED TECHNOLOGY OF INDUSTRIALIZED COUNTRIES, AND DESIRE TO ACQUIRE SUCH TECHNOLOGY IS FREQUENTLY STATED AS A PRIMARY REASON FOR ENCOURAGING FOREIGN INVESTMENT. VALUATION OF SUCH TECHNOLOGY, HOWEVER, OR OF IN-KIND CONTRIBUTIONS TO CAPITAL, IS OFTEN MORE A MATTER OF BARGAINING THAN OF LOGICAL ANALYSIS.

3. IN GENERAL, THERE IS LITTLE DANGER OF OVER-VALUATION ON PART OF GOE OF TECHNOLOGICAL OR IN-KIND CONTRIBUTIONS. ON
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CONTRARY, GOE USUALLY SEES ITS INTERESTS AS BEING SERVED BY UNDERSTATING VALUE OF SUCH CONTRIBUTIONS. IT TAKES THIS LINE IN OPPOSITION TO FOREIGN INVESTORS WHO, IN GOE VIEW, USUALLY TRY TO OVERSTATE VALUE OF NON-CASH ITEMS AND USE INFLATED FIGURES AS BASIS FOR MEASURING CONTRIBUTION TO CAPITAL, FOR SEEKING REPUTRIATION OF FUNDS, AND IN SOME CASES FOR SETTING FEES.

4. UNDER PRESENT FOREIGN INVESTMENT LAW, FOREIGN CURRENCY TRANSFERRED TO AN ENTERPRISE BEING ESTABLISHED IS VALUED AT THE OFFICIAL RATE. THIS INCREASES INCENTIVE FOR FOREIGN INVESTOR TO TRY TO OVERSTATE VALUE OF NON-CASH CONTRIBUTIONS. IN GENERAL, IT ALSO INCREASES VIGILANCE OF GOE IN ATTEMPTING PREVENT SUCH OVERSTATED VALUE FROM BEING ACCEPTED, ALTHOUGH THERE MAY BE INSTANCES IN WHICH GOE, RECOGNIZING "UNFAIRNESS" OF OFFICIAL RATE REQUIREMENT HAS TOLERATED SOME "PADDING" OF NON-CASH ITEMS.

5. ON THE WHOLE, WE WOULD BE CAUTIOUS ABOUT ACCEPTING UN-CRITICALLY PARTICULAR VALUE ASSIGNED BY GOE FOR TECHNOLOGY OR IN-KIND CONTRIBUTIONS.

MATTHEWS

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Message Attributes

Automatic Decaptioning: X
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
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Enclosure: n/a
Executive Order: N/A
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From: CAIRO
Handling Restrictions: n/a
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